

Message Text

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ACTION EA-10

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TO USDOC WASHDC PRIORITY

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AMEMBASSY SINGAPORE

AMCONSUL HONG KONG

UNCLAS SEOUL 2117

E.O. 11652: N/A

TAGS: BMEP, BEXP, KS

SUBJECT: MAJOR PROJECT - KOREA CHEMICAL PULP CO. PLANT

REF: SEOUL 5271 (8/13/74)

FOLLOWING IS UPDATE ON PROJECT INFORMATION SUBMITTED REFTEL.

1. NO SUBSTANTIAL CHANGES IN PROJECT DESCRIPTION SUBMITTED
REFTEL, EXCEPT CONSTRUCTION WILL BEGIN IN JUNE 1975 WITH A
COMPLETION DATE OF DECEMBER 1977.

2. IMPLEMENTING OFFICER, MR. KIM, SUNG JIN, MANAGER, PROJECT
DEPARTMENT, HAS MOVED FROM 21ST FLOOR TO 7TH FLOOR IN SAME
BUILDING. OTHER INFO REMAINS SAME AS REFTEL.

3. PROJECT COSTS WERE ADJUSTED BASED ON RECENT ESCALATIONS
OF VARIOUS COMMODITIES. TOTAL PROJECT COSTS WILL BE \$228
MILLION. FOREIGN EXCHANGE COSTS OF \$161 MILLION FOR EXPORT
PACKAGING, OCEAN FREIGHT, INSURANCE, TRAINING, SPARE PARTS
FOR TWO YEARS (\$5 MILLION) AND EQUIPMENT IMPORTATION
(ESTIMATED \$70 MILLION) WILL BE FINANCED THROUGH LOANS.
NEGOTIATIONS ARE PRESENTLY UNDERWAY WITH U.S. EXIMBANK AND
THE CANADIAN EXPORT DEVELOPMENT CORPORATION (EDC). REPORTEDLY
KOREA CHEMICAL PULP CO. (KCPC) IS VERY ACTIVELY NEGOTIATING
WITH EDC OF CANADA AND A FORMAL LOAN IS SOON TO BE SIGNED
WITH EDC SOMETIME IN JUNE.

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4. ASSUMING A LOAN AGREEMENT WITH EDC IS SIGNED IN JUNE 1975,
KCPC ESTIMATED THAT AN INVITATION FOR BID FOR THE COMMODITY
IMPORTATION WILL BE ISSUED JULY OR AUGUST 1975.

5. MEMORANDU OF UNDERSTANDING FOR A JOINT VENTURE AND SUPPLY
OF RAW MATERIALS (WOOD CHIPS) HAS BEEN EXCHANGED RECENTLY
BETWEEN LOUISIANA PACIFIC COPR. OF U.S. AND KCPC. MR. KIM,
SUNG JIN, PROJECT MANAGER AND MR. CHANG, IN KYU, SENIOR ENGINEER
OF KCPC HAVE STATED INTENTION TO PURCHASE EQUIPMENT IN NORTH
AMERICA.

6. SINCE THE PROJECT INVOLVES A LARGE AMOUNT OF DOLLARS FOR
EQUIPMENT, SPECIAL HANDLING IS REQUESTED. EMBASSY SUGGESTS THAT
PROSPECTIVE U.S. SUPPLIERS CONTACT LOUISIANA PACIFIC CORPORATION,
PORTLAND, OREGON, FOR DETAILED INFORMATION ON THIS PROJECT.
POST WILL MAINTAIN CLOSE CONTACT WITH KCPC. STRONG CANADIAN
COMPETITION MAY BE EXPECTED BUT EDC FUNDS ARE NOT TIED.

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